

Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 16743 01 OF 02 101210Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 COME-00 EA-11 FRB-02

INR-10 IO-14 NEA-14 NSAE-00 OPIC-12 LAB-06 SIL-01

SWF-02 FEA-02 INT-08 DRC-01 /210 W

----- 068028

R 101155Z JUL 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 3240

INFO AMEMBASSY ATHENS

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 16743

E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: EDRC ANNUAL REVIEW OF GREECE, JULY 2

REF: OECD DOC EDR (74)22

1. SUMMARY: GREEKS ACCEPTED SECRETARIAT ANALYSIS OF PAST TRENDS, FUTURE PROSPECTS AND POLICY RECOMMENDATIONS IN ALMOST ALL DETAILS. THEY SAW BOTH INFLATION AND EXTERNAL DEFICIT RESPONDING SATISFACTORILY TO RESTRICTIVE DEMAND MANAGEMENT POLICIES, AND AGREED WITH SECRETARIAT JUDGMENT THAT SELECTIVE RELAXATION MIGHT SOON BE NEEDED TO OFFSET POCKETS OF UNEMPLOYMENT. THEY ESTIMATE GROWTH OF REAL GDP AT 5 PERCENT FOR 1974, AND CPI DECEMBER ON DECEMBER AT 12 PERCENT. CURRENT ACCOUNT DEFICIT WILL BE A LITTLE OVER \$1 BILLION, BUT CYCLICAL ELEMENT IN DEFICIT WILL BE REMOVED BY END OF YEAR. MEDIUM TERM BALANCE OF PAYMENTS PROSPECTS FAVORABLE DUE TO LIKELIHOOD OF SELF-SUFFICIENCY IN ENERGY PRODUCTION WITHIN 5 YEARS. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 16743 01 OF 02 101210Z

2. 1973 PERFORMANCE: GREEKS ATTRIBUTED POOR PRICE PERFORMANCE IN 1973 TO NUMBER OF FACTORS INCLUDING OVER-OPTIMISM AND PAST ERRORS OF JUDGMENT. THEY NOTED STRUCTURAL CHANGE IN LABOR MARKET WHICH SHIFTED FROM TRADITIONAL SURPLUS TO FULL EMPLOYMENT IN 1973 AS RESULT OF CUMULATIVE ECONOMIC GROWTH AND LABOR EMIGRATION OVER PRECEDING YEARS. THEY ADMITTED REMOVAL OF PRICE CONTROLS IN 1973 HAD HAD IMMEDIATE ADVERSE EFFECT, ALTHOUGH IT HAD HELPED TO RESOLVE SUPPLY CONSTRAINTS BY INDUCING SUPPLIERS BACK INTO MARKET. GREEKS DEFENDED NEED TO DEVALUE IN 1973, DESPITE ADEQUATE FX RESERVES AT TIME, ON GROUNDS THAT MOST CAPITAL INFLOWS COME FROM DOLLAR AREA AND THEY COULD NOT RISK INTERRUPTION OR POSSIBLE LOSS OF THESE FLOWS. IN RESPONSE TO US QUESTION, GREEKS AGREED THAT DECISION TO REMOVE PRICE CONTROLS AND IMPOSE DIVIDEND CEILINGS HAD INCREASED CORPORATE LIQUIDITY TO POINT WHERE GLOBAL MONETARY AND CREDIT MEASURES WERE LESS EFFECTIVE THAN MIGHT HAVE BEEN. HOWEVER, MAJOR EMPHASIS HAD BEEN ON ENCOURAGING INVESTMENT TO REMOVE SUPPLY CONSTRAINTS, EVEN AT RISK OF SHORT RUN NEGATIVE IMPACT ON INFLATION AND EXTERNAL BALANCE. THIS EFFORT HAS BEEN SUCCESSFUL AND THERE IS NOW SOME MARGIN OF UNUTILIZED CAPACITY DUE TO NEW INVESTMENT COMING ON STREAM.

3. 1974 OUTLOOK FOR DEMAND AND PRICES: GREEKS EXPECT REAL GDP TO GROW 5 PERCENT IN 1974, WITH MAIN DEMAND STRENGTH IN INVESTMENT AND EXPORT SECTORS. CONSUMPTION WILL RISE LESS THAN GDP, AND NO IMPROVEMENT IN REAL WAGES IS ANTICIPATED. GREEKS SEE STRONG SIGNS OF IMPROVEMENT IN INFLATION OUTLOOK NOW THAT EXCESS DEMAND HAS BEEN ELIMINATED AND SUPPLY POSITION IS IMPROVING. BETTER OUTLOOK CAN BE ATTRIBUTED TO SUCCESS OF DEMAND MANAGEMENT POLICIES AND PARTICULARLY TO

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 16743 02 OF 02 101213Z

53

ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

PA-04 PRS-01 USIA-15 CIAE-00 COME-00 EA-11 FRB-02

INR-10 IO-14 NEA-14 NSAE-00 OPIC-12 LAB-06 SIL-01

SWF-02 FEA-02 INT-08 DRC-01 /210 W

----- 068021

R 101155Z JUL 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 3241

INFO AMEMBASSY ATHENS

LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 16743

RESTRICTIONS ON CONSTRUCTION OF RESIDENTIAL DWELLINGS. NEW HOUSING STARTS HAVE DECLINED 60 PERCENT FROM MAY 1973 LEVELS AND SOME AREAS NOW EXPERIENCING EXCESSIVE UNEMPLOYMENT. SELECTIVE MEASURES MAY HAVE TO BE TAKEN TO OFFSET REGIONAL UNEMPLOYMENT, BUT OTHERWISE NO REAL EMPLOYMENT PROBLEMS EXPECTED IN 1974.

4. POLICY MEASURES: IN VIEW IMPROVED OUTLOOK FOR CPI, WHICH EXPECTED RISE 12 PERCENT IN 1974, GREEKS NOW PREPARED TAKE LIMITED MEASURES TO STIMULATE EMPLOYMENT AND CERTAIN PRODUCTIVE INVESTMENTS IN INDUSTRY AND EXPORT SECTORS. THESE MEASURES WOULD INCLUDE 2 BILLION DRACHMA INCREASE IN PUBLIC DEVELOPMENT EXPENDITURE ON RURAL AGRICULTURAL PROJECTS, AND AN INCREASE IN CREDIT CEILINGS FROM 2.9 PERCENT TO 12 OR 14 PERCENT ABOVE DECEMBER 1973 LEVELS. GENERAL POLICY STANCE WILL REMAIN RESTRICTIVE, HOWEVER, IN ORDER RESOLVE PRIORITY PROBLEMS OF INFLATION AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 16743 02 OF 02 101213Z

CURRENT ACCOUNT DEFICIT.

5. BALANCE OF PAYMENTS: GREEKS EXPECT CURRENT ACCOUNT DEFICIT TO BE ABOUT \$1 BILLION IN 1974, OF WHICH ABOUT \$750 MILLION WILL BE DUE TO OIL. THUS FOR THIS YEAR IMPORTS ARE RISING SLOWER AND EXPORTS FASTER THAN EXPECTED, WHICH GREEKS CLAIM IS DUE TO SUCCESS OF DEMAND MANAGEMENT POLICY IN SHIFTING RESOURCES FROM DOMESTIC TO EXPORT SECTOR. THEY EXPECT CYCLICAL COMPONENT OF DEFICIT TO BE ELIMINATED BY END OF YEAR, AND REMAINDER WILL BE FINANCED FROM EUROMARKET LOANS

AND FOREIGN EXCHANGE RESERVES. MEDIUM TERM OUTLOOK
FOR EXTERNAL ACCOUNT IS VERY FAVORABLE, SINCE GREECE
EXPECTS TO BE SELF-SUFFICIENT IN OIL IN ABOUT FIVE
YEARS.
BROWN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OECDP16743
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740183-0511
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740761/aaaacajp.tel
Line Count: 174
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: OECD DOC EDR (74)22
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2002 by shawdg>; APPROVED <25 FEB 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EDRC ANNUAL REVIEW OF GREECE, JULY 2
TAGS: ECON, GR, OECD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005